

Understanding Flood and Windstorm Insurance

Since flood damage is not covered under homeowners policies, purchasing a separate flood insurance policy can help homeowners and commercial interests protect their homes and businesses. Although the Louisiana Department of Insurance (LDI) can answer basic questions about flood insurance, the Department does not regulate the National Flood Insurance Program (NFIP), approve its rates or changes or have any authority over the program. However the LDI monitors how these changes impact policyholders in Louisiana. For more information on flood insurance, please visit the NFIP's website at www.floodsmart.gov or call 1-800-427-2419.

As a coastal state, Louisiana has relied heavily on the National Flood Insurance Program (NFIP), whose majority of current indebtedness resulted from Hurricane Katrina and Rita payments in our state. There are 5.6 million NFIP policyholders nationwide.

Flood Insurance Basics

Flood insurance protects homes, condominiums, apartments and non-residential buildings, including commercial structures. While some may believe that flooding only affects properties in coastal and low lying areas, the truth is everyone is vulnerable to floods. In fact, property owners outside of high-risk flood areas are responsible for 25 percent of NFIP claims in Louisiana. Rising floodwaters can prove to be hazardous no matter where you live, yet only one out of every four single family homes in Louisiana have flood insurance. This is why it is advisable for everyone to have flood insurance, even if you live in an area that is not flood prone.

When we talk about flood insurance, "flood" means a general and temporary condition of partial or complete inundation of normally dry land areas from:

- The overflow of inland or tidal waters.
- The unusual and rapid accumulation or run off of surface waters from any source.
- Mudflow, which is a river of liquid and flowing mud on the surfaces of normally dry land areas, as when earth is carried by a current of water.

According to the NFIP, just a single inch of floodwater can cause more than \$10,000 in damage to a home. Here are additional flood facts from the NFIP:

- For those who live in a Special Flood Hazard Area (SFHA) or high-risk area and have a federally backed mortgage, the mortgage lender requires a flood insurance policy.
- The Standard NFIP flood insurance policy does not provide coverage in excess of \$250,000 for your house (Coverage A) and \$100,000 for its contents (Coverage B). If more coverage is necessary, it can be acquired through excess flood insurance that can be purchased through private insurers.

- The Standard NFIP flood insurance policy provides coverage up to \$500,000 for a commercial structure (Coverage A) and up to \$500,000 for its contents (Coverage B).
- In a high-risk area, a home is more than twice as likely to be damaged by flood than by fire.
- Floods and flash floods happen in all 50 states.

Purchasing Flood Insurance

Contact the National Flood Insurance Program (NFIP) at 1-888-CALL FLOOD or visit www.floodsmart.gov. But don't wait until a storm is coming to purchase flood insurance. It may take 30 days after purchase for a flood insurance policy to go into effect.

What if You Have No Flood Insurance

If you do not have flood insurance, there are other possibilities for reimbursement from some flood damages. Check other property and casualty policies for all opportunities for recovery. These may include:

- Your homeowners policy covering loss of food by spoilage due to electrical outages or damage from power urges related to storms;
- Your auto policy covering damage to your motor vehicle if you have comprehensive coverage;
- Your homeowners policy covering damage by fallen trees.

You may be eligible for Federal Emergency Management Agency (FEMA) federal disaster assistance in the form of low-interest loans or grants if your home is in a federally declared disaster area. Parts of Louisiana have been declared to be a natural disaster after past storms and hurricanes and, therefore, eligible for FEMA assistance. However, federal disaster assistance declarations are awarded in less than 50 percent of flooding incidents. If you are uninsured and receive federal disaster assistance after a flood, you must purchase flood insurance to receive disaster relief in the future.

If Impacted by a Flood

If your property is flooded, you should contact your insurance producer or insurance company right away. Have your policy or policy number handy at all times and provide your phone numbers and addresses where you can be reached day or night. You will want to protect your property from further damage. Take photos of your damaged property and make whatever reasonable temporary repairs are needed. *Especially* cover broken windows and holes in the roof or walls. Keep a record of these repairs for possible reimbursement by your insurance company.

Wind, Rain and Hail Insurance

Wind-driven rain isn't considered "flooding" and most homeowners policies cover wind, rain, and hail damage. If your policy *excludes* coverage for windstorm, you should have

a separate policy to insure your property for these kinds of losses. If your property is damaged by wind, wind-driven rain or hail, or if you are not sure if the damage is from flood or wind, contact your insurance producer or insurance company right away. Submit your claim for all damages. Your company will send an adjuster to investigate your claim and determine the cause of loss.

Generally windstorm damage is covered under your homeowners policy with a separate “named-storm deductible” or “hurricane deductible,” which usually ranges from two percent to five percent of the insured property value and could be higher.

NFIP Changes

In 2012, the Biggert-Waters Flood Insurance Reform and Modernization Act was signed into law. The act reauthorized the NFIP until 2017 and revamped the program in order to make it actuarially sound going forward. In 2014, the Homeowner Flood Insurance Affordability Act was signed into law, not only delaying but in effect canceling some of the provisions of Biggert-Waters by limiting increases in flood insurance premiums to no more than 18 percent per year. The Act also repeals the property sales trigger that required homebuyers to pay the full-risk flood insurance rate at the time of purchase. The measure also repeals the new policy sales trigger which required property owners to pay full-risk rates when buying a new policy. It also reinstates grandfathering. Homes that complied with previous flood maps will no longer be hit with large increases when new maps show greater risk of flooding.

The Homeowner Flood Insurance Affordability Act does not address rate hikes for businesses, secondary vacation homes and homes that repeatedly flooded that were all grandfathered into lower premiums for flood insurance before flood maps were created. Such affected policyholders will see annual increases over the next few years of 25 percent of the actuarial cost until those policies are actuarially priced.

There is also non-mandatory language directing FEMA to strive to reach the goal that most policyholders have a premium of no more than one percent of the value of their coverage - in other words, \$2,000 for a \$200,000 policy. In order to pay for the continued subsidizing of rates, annual assessments will be implemented. Assessments of \$25 per year for primary residences and \$250 per year for businesses and vacations homes will be charged to property owners who get NFIP coverage.

Help Reduce Your Flood Risks

Policyholders can take action to reduce their flood risks in several ways. They can:

- Take a look at their current, effective flood maps.
- Talk with the local floodplain administrator to learn if there is a preliminary flood insurance rate map available.
- Know their risk and start planning for mitigation actions.
- Call their insurance agent for more details on their policy.
- Look into FEMA Mitigation programs available to them.